

BERRIEN SPRINGS - ORONOKO TOWNSHIP

POLICE DEPARTMENT

FINANCIAL REPORT

December 31, 2004

11-7534

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Berrien Springs - Oronoko Township Police Department	County BERRIEN
Audit Date 12/31/04	Opinion Date 2/18/05	Date Accountant Report Submitted to State: April 12, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report comments and recommendations

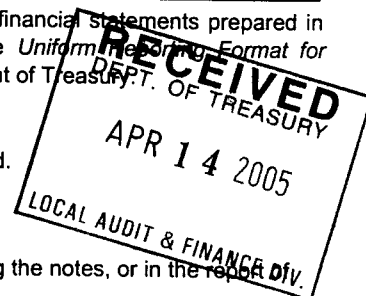
You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.			
Street Address 830 PLEASANT STREET, P.O. BOX 44		City ST. JOSEPH	State MI
Accountant Signature <i>Robert R. Gerbel</i>		ZIP 49085	Date 4-12-05



BERRIEN SPRINGS - ORONOKO TOWNSHIP

POLICE DEPARTMENT

FINANCIAL REPORT

December 31, 2004

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BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Berrien Springs Oronoko Township Police Department ("BSOTPD") financial performance for the year ended December 31, 2004. Please read it in conjunction with financial statements following this section. BSOTPD is a joint venture between Oronoko Township and the Village of Berrien Springs. BSOTPD is managed by the Police Commission with three members appointed by Oronoko Township and two members appointed by the Village of Berrien Springs. Because our 2004 fiscal year represents the first year in which BSOTPD has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis provides few comparisons with the previous year.

Financial Highlights

- The assets of BSOTPD exceeded its liabilities at the close of the fiscal year by \$996,881 (net assets). Of this amount, \$996,881 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, BSOTPD's governmental fund reported an ending fund balance of \$467,661, an increase of \$55,460 in comparison with the prior year. Approximately 100% of the total amount, \$467,661 is available for spending at the government's discretion (unreserved fund balance).

Overview of the Financial Statements

The discussion and analysis is an introduction to the BSOTPD's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The new financial statement's focus (implemented during the current fiscal year) is on both BSOTPD as a whole (government-wide) and on the major individual funds. Both perspectives allow users to address relevant questions, broaden a basis for comparison and enhance BSOTPD's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the BSOTPD's finances, in a manner similar to a private-sector business. The Statement of Net Assets and the Statement of Activities are two financial statements that should help answer the question: Is BSOTPD, as a whole, better off or worse off as a result of this year's activities? These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The Statement of Net Assets presents information on all of BSOTPD's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether BSOTPD's financial position is improving or deteriorating.

The Statement of Activities presents information showing how BSOTPD's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The BSOTPD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. BSOTPD only has a governmental fund.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

BSOTPD adopts an annual appropriated budget for its general fund. It is prepared by the management of BSOTPD and approved by the Police Commission. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of BSOTPD, assets exceeded liabilities by \$996,881 at the close of the most recent fiscal year. By far the most significant portion of BSOTPD's net assets (48.5 %) reflects its cash.

Berrien Springs Oronoko Township Police Department's Net Assets

	<u>Governmental Activities</u>
Cash	\$ 483,921
Due from Oronoko Charter Township	232,712
Taxes receivable	309,219
Note receivable	<u>1,055</u>
Total Current Assets	<u>1,026,907</u>
Accounts payable	8,972
Payroll liabilities	<u>8,343</u>
Total Current liabilities	<u>30,026</u>
Net assets:	
Unrestricted	<u>996,881</u>
Total net assets	<u>\$ 996,881</u>

The unrestricted net assets \$996,881 may be used to meet BSOTPD's ongoing obligations to citizens and creditors.

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Berrien Springs Oronoko Township Police Department's Change in Net Assets

	<u>Governmental Activities</u>
Revenues:	
Program Revenues:	
Charges for services	\$ 8,054
Operating grants and contributions	203,353
General Revenues:	
Property taxes	541,744
Interest and investment earnings	8,236
Other	16,633
Gain (loss) on sale of fixed assets	<u>3,000</u>
Total Revenues	<u>781,020</u>
Expenses:	
Public safety	<u>702,600</u>
Total Expenses	<u>702,600</u>
Change in Net Assets	78,420
Net Assets – Beginning of Year	<u>918,461</u>
Net Assets – End of Year	<u>\$ 996,881</u>

Governmental Activities:

Governmental activities increased BSOTPD's net assets by \$78,420. A key element of this increase was the contributions from Oronoko Township and the Village of Berrien Springs for \$200,000. A comparative analysis between the prior and current year will be provided in future years when prior year information is available.

Financial Analysis of the Township's Funds

As BSOTPD completed the year, its governmental fund reported a balance of \$467,661. Of this amount, \$467,661 (100%) was unreserved fund balance, which is available for appropriations for the general purpose of the fund.

General Fund

The General Fund is the only operating fund of BSOTPD. At the end of the current fiscal year, the unreserved fund balance was \$467,661. The total fund balance increased by

BERRIEN SPRINGS ORONOKO TOWNSHIP POLICE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

\$55,460 primarily as a result of contributions from Oronoko Township and the Village of Berrien Springs.

The difference between the original budget and the final amended budget for revenues and expenditures was \$0. BSOTPD's final amended budget for revenues was \$747,900 and the actual was \$760,686. However, BSOTPD did have a significant difference between the final amended budget for expenditures of \$761,292 and the actual expenditures of \$705,226 (7.3%).

Capital Asset and Debt Administration

Capital Assets:

BSOTPD's capital assets are owned jointly by Oronoko Township and the Village of Berrien Springs. This investment in capital assets includes: furniture, equipment, and vehicles.

Long-term Debt:

At the end of the current fiscal year BSOTPD had no debt.

Economic Condition and Outlook

BSOTPD is operated primarily by millage for taxes, and for expenditures above the taxes collected, by Oronoko Township and the Village of Berrien Springs. Both Oronoko Township and the Village of Berrien Springs have received cuts in their revenue sharing from the state. To alleviate some of the annual costs to both governments there is to be a millage vote in 2005 to increase taxes received by BSOTPD.

Requests for Information

This financial report is designed to provide a general overview of BSOTPD finances for all those with an interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

President
Oronoko Township-BSOTPD
4583 E Snow Road
PO Box 214
Berrien Springs, MI 49103

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 18, 2005

INDEPENDENT AUDITOR'S REPORT

To The Police Commission
Berrien Springs - Oronoko Township
Police Department
Berrien Springs, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Berrien Springs - Oronoko Township Police Department, as of and for the year ended December 31, 2004, which collectively comprise the Police Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Police Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, the Police Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis information on pages I through V, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

INDEPENDENT AUDITOR'S REPORT - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berrien Springs - Oronoko Township Police Department's basic financial statements. The comparative statement of revenues, expenditures, and changes in fund balances is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The comparative statement of revenues, expenditures, and changes in fund balances has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frederick & Company, P.C.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Statement of Net Assets
December 31, 2004**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 483,921
Due from Oronoko Charter Township	232,712
Taxes receivable	309,219
Note receivable	<u>1,055</u>
 TOTAL ASSETS	 <u>\$ 1,026,907</u>
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 8,972
Payroll liabilities	<u>8,343</u>
 Total Current Liabilities	 <u>\$ 17,315</u>
 Noncurrent Liabilities	
Compensated absences	<u>\$ 12,711</u>
 Total Noncurrent Liabilities	 <u>\$ 12,711</u>
 Total Liabilities	 <u>\$ 30,026</u>
 Net Assets	
Unrestricted	<u>\$ 996,881</u>
 Total Net Assets	 <u>\$ 996,881</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,026,907</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Statement of Activities
For the Year Ended December 31, 2004**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Public safety	\$ 702,600	\$ 8,054	\$ 203,353	\$ -	\$ (491,193)
Total Governmental Activities	\$ 702,600	\$ 8,054	\$ 203,353	\$ -	\$ (491,193)
General Revenues:					
Taxes					
Property taxes, levied for general operations					\$ 541,744
Interest and investment earnings					8,236
Other					19,633
Total General Revenues					\$ 569,613
Change In Net Assets					\$ 78,420
Net Assets, Beginning of Year					918,461
NET ASSETS, END OF YEAR					\$ 996,881

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Governmental Fund - Balance Sheet
December 31, 2004**

	General Fund
Assets	
Cash and cash equivalents	\$ 483,921
Due from Oronoko Charter Township	232,712
Taxes receivable	309,219
Note receivable	<u>1,055</u>
 TOTAL ASSETS	 <u>\$ 1,026,907</u>
 Liabilities and Fund Equity	
Liabilities:	
Accounts payable	\$ 8,972
Payroll liabilities	8,343
Deferred revenue	<u>541,931</u>
 Total Liabilities	 <u>\$ 559,246</u>
 Fund Equity:	
Unreserved	<u>467,661</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,026,907</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
For the Year Ended December 31, 2004**

Fund balances of governmental funds	\$ 467,661
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	(12,711)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>541,931</u>
Net assets of governmental activities	<u>\$ 996,881</u>

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Taxes	\$ 519,000	\$ 519,000	\$ 521,410	\$ 2,410
Interest	5,500	5,500	8,236	2,736
Police service reimbursements	900	900	1,580	680
Fines	2,000	2,000	1,154	(846)
Liquor license	2,600	2,600	2,526	(74)
Contribution - Local units of government	200,000	200,000	200,000	-
Safe and Sober	-	-	573	573
Drug forfeiture	6,000	6,000	10,610	4,610
Miscellaneous	11,900	11,900	14,597	2,697
Total Revenues	<u>\$ 747,900</u>	<u>\$ 747,900</u>	<u>\$ 760,686</u>	<u>\$ 12,786</u>
Expenditures:				
Salaries	\$ 427,192	\$ 412,192	\$ 372,708	\$ 39,484
Payroll taxes	32,700	32,700	27,886	4,814
Fringe benefits	95,300	97,325	96,213	1,112
Retirement	14,400	15,700	17,750	(2,050)
Workmen's compensation	6,800	7,500	7,251	249
Supplies	8,100	7,100	4,405	2,695
Uniforms and cleaning	10,000	8,000	5,155	2,845
Audit	4,100	3,800	3,800	-
Bookkeeping	5,000	5,700	5,642	58
Legal	15,000	25,000	25,049	(49)
Dues and subscriptions	6,500	9,000	8,429	571
Telephone	11,000	7,600	7,500	100
Gasoline and oil	14,000	14,000	14,157	(157)
Travel	3,100	2,000	1,070	930
Conference and workshops	7,700	5,000	3,009	1,991
Printing and publishing	1,300	1,300	601	699
Insurance	39,000	32,500	32,244	256
Utilities	8,000	8,000	6,174	1,826
Repairs and maintenance - building	3,000	5,000	4,646	354
Repairs and maintenance - equipment	22,600	26,100	29,188	(3,088)
Drug forfeiture	1,500	-	-	-
Capital outlay	22,000	30,075	27,870	2,205
Miscellaneous	3,000	5,700	4,479	1,221
Total Expenditures	<u>\$ 761,292</u>	<u>\$ 761,292</u>	<u>\$ 705,226</u>	<u>\$ 56,066</u>
Net Change in Fund Balances	(13,392)	(13,392)	55,460	68,852
Fund Balances - Beginning of Year	<u>412,201</u>	<u>412,201</u>	<u>412,201</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 398,809</u>	<u>\$ 398,809</u>	<u>\$ 467,661</u>	<u>\$ 68,852</u>

The accompanying notes are an integral part of these financial statements.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2004**

Net change in fund balances - total governmental funds	\$ 55,460
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Amounts reported for *governmental activities* in the statement of activities are different because:

Compensated absences are reported as expenditures when financial resources are used in governmental funds.	2,626
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>20,334</u>
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Change in net assets of governmental activities	<u>\$ 78,420</u>
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**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Notes to Financial Statements
December 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Berrien Springs - Oronoko Township Police Department conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Scope of Reporting Entity

The Police Department is a joint venture between Oronoko Charter Township and the Village of Berrien Springs and is governed by an appointed five-member Board.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Police Department. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All of the Department's activities are classified as governmental activities.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Notes to Financial Statements
December 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Police Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Police Department.

Berrien Springs - Oronoko Township Police Department reports the following major governmental fund:

The **General Fund** is the Police Department's primary operating fund. It accounts for all financial resources of the department.

D. Capital Assets

Fixed assets acquired by the Berrien Springs - Oronoko Township Police Department are the property of the respective governmental units of the Police Department. These assets are accounted for proportionately to ownership in the government-wide statement of net assets of each local unit involved.

E. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS

Deposits, which include cash and certificates of deposit, are carried at cost. Deposits are at three banks in the name of Berrien Springs - Oronoko Township Police Department. Act 217, PA 1982, authorizes the Police Department to deposit and invest in accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the United States. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Police Department has complied with the Attorney General's opinion 61-68.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Notes to Financial Statements
December 31, 2004**

NOTE 2 - DEPOSITS - Continued

At December 31, 2004, the Police Department had deposits with three local banks. The carrying amounts are \$483,696 with the bank balance being \$493,511. The portion of deposits covered by federal depository insurance (FDIC) is shown below:

<u>Deposits</u>	<u>Amounts</u>
Insured	\$ 228,109
Uninsured and uncollateralized	<u>265,402</u>
Total Deposits	<u>\$ 493,511</u>

NOTE 3 - BUDGET INFORMATION

The annual budget is prepared by the Police Department management and adopted by the Police Commission; subsequent amendments are approved by the Police Commission. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (statement of revenues, expenditures, and changes in fund balance - budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Police Commission is included in the general-purpose financial statements.

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan Description - The Police Department participates with the Village of Berrien Springs in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Village and Police Department. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report can be obtained by writing to the System at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the System for Police employees was established by negotiation with Police Department management and requires a contribution from the employees of 1.00 percent of gross wages. For the year ended December 31, 2004, the Department's annual pension cost was \$17,750.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Notes to Financial Statements
December 31, 2004**

NOTE 5 - RISK MANAGEMENT

The Police Department is exposed to various risks of loss relating to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Police Department participates in the Michigan Municipal League risk pool for claims relating to all risks.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 6 - VACATION AND SICK PAY

Vacation and sick pay are expensed when paid. Vacation pay does not accumulate beyond the current year. Unused sick leave accumulates from year to year up to a maximum of one hundred twenty (120) days. When an employee retires under the employer's retirement program, he or she shall be entitled to be paid one-half of his or her accumulated sick leave as of the date of retirement.

NOTE 7 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

As of and for the year ended December 31, 2004, the Police Department implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment to GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Police Department is required to implement the new requirements no later than the fiscal year ending December 31, 2004.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT
Notes to Financial Statements
December 31, 2004**

NOTE 7 - IMPLEMENTATION OF NEW ACCOUNTING STANDARDS - Continued

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

**BERRIEN SPRINGS - ORONOKO TOWNSHIP
POLICE DEPARTMENT**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2004**

With Comparative Actual Amounts for the Year Ended December 31, 2003

	<u>Totals</u>	
	<u>2004</u>	<u>2003</u>
Revenues:		
Taxes	\$ 521,410	\$ 501,079
Interest	8,236	7,386
Police service reimbursements	1,580	1,736
Fines	1,154	934
Liquor license	2,526	2,536
Contribution - Local units of government	200,000	225,000
Safe and Sober	573	160
Drug forfeiture	10,610	4,388
Miscellaneous	14,597	10,409
	<hr/>	<hr/>
Total Revenues	\$ 760,686	\$ 753,628
	<hr/>	<hr/>
Expenditures:		
Salaries	\$ 372,708	\$ 382,917
Payroll taxes	27,886	29,049
Fringe benefits	96,213	79,822
Retirement	17,750	7,150
Workmen's compensation	7,251	8,577
Supplies	4,405	6,942
Uniforms and cleaning	5,155	5,117
Audit	3,800	3,800
Bookkeeping	5,642	5,032
Legal	25,049	17,168
Dues and subscriptions	8,429	5,233
Telephone	7,500	7,476
Gasoline and oil	14,157	12,273
Travel	1,070	1,540
Conference and workshops	3,009	5,421
Printing and publishing	601	300
Insurance	32,244	32,072
Utilities	6,174	6,110
Repairs and maintenance - building	4,646	3,159
Repairs and maintenance - equipment	29,188	25,848
Drug forfeiture	-	1,480
Capital outlay	27,870	19,673
Miscellaneous	4,479	2,826
	<hr/>	<hr/>
Total Expenditures	\$ 705,226	\$ 668,985
	<hr/>	<hr/>
Net Change in Fund Balances	\$ 55,460	\$ 84,643
Fund Balances - Beginning of Year	412,201	327,558
	<hr/>	<hr/>
FUND BALANCES - END OF YEAR	\$ 467,661	\$ 412,201
	<hr/>	<hr/>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

February 18, 2005



Police Commission
Berrien Springs - Oronoko Township Police Department
Berrien Springs, Michigan

In connection with our audit of the books and records of Berrien Springs - Oronoko Township Police Department for the year ended December 31, 2004, we offer the following comments and recommendations.

1. The Police Department received funds from the community to put towards the purchase of tasers. These funds amounted to \$1,700. The checks for these funds were dated in December, though the funds were not forwarded to the Township for processing until the middle of February. To maintain strong internal controls funds must be deposited in a timely manner.
2. Three checks made out to the Berrien Springs - Oronoko Township Police Department for purchase of tasers were cashed at a local bank. Copies of the checks accompanied the cash forwarded to the Township. Under no circumstances should a check made out to the Police Department be cashed by anyone. The deposit of funds should follow prescribed policies and procedures. The checks were cashed on January 5, 2005, but the cash was not forwarded to the Township for processing until February 17, 2005.
3. Care should be taken to ensure that activities performed outside of police duties by members of the police force are not misconstrued as being done in conjunction with the Police Department. Concerns have been raised that a perception exists that Operation Christmas Care is a project conducted by the Police Department. To help separate the project from the Department, officers should not participate in this program while on duty.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the Berrien Springs - Oronoko Township Police Department and trust that these comments and suggestions will be received in the spirit of cooperation in which they are offered.

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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